

# CRAVATH, SWAINE & MOORE

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HENRY P. RIORDAN  
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DAVID O. BROWNWOOD  
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ONE CHASE MANHATTAN PLAZA

NEW YORK, N. Y. 10005

1 5188

RECORDATION NO. \_\_\_\_\_ Filed & Recorded

MAR 25 1987 12-5 U PM

7-084 A O INTERSTATE COMMERCE COMMISSION

No. MAR 25 1987

Date .....

Fee \$ 10.00

KCC Washington, D. C.

TELEPHONE  
212 422-3000

TELEX  
RCA 233663  
WUD 125547  
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CABLE ADDRESSES  
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MAJOR OPERATING UNIT

MAR 25 12 42 PM '87

March 24, 1987

Ms. Noreta R. McGee  
Secretary  
Interstate Commerce Commission  
12th and Constitution Avenue  
Washington, D.C. 20423

Dear Secretary:

I have enclosed an original and one counterpart of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a mortgage, security agreement and assignment of leases and rents, a primary document, dated as of March 1, 1987. The names and addresses of the parties to the documents are as follows:

Mortgagor: Louisiana & Delta Railroad, Inc.  
402 West Washington  
New Iberia, Louisiana 70560

Mortgagee: General Electric Credit Corporation  
1600 Summer Street  
Stamford, Connecticut 06905

A description of the equipment covered by the document follows:

1. Locomotive, Model No. EMDGP9, Unit No. 3434.

*Copy of Harry Anyotte*

2. Locomotive, Model No. EMDGP9, Unit No. 3433.
3. Locomotive, Model No. EMDGP9, Unit No. 3790.
4. Locomotive, Model No. SW1200, Unit No. 2263.
5. Locomotive, Model No. SW1200, Unit No. 2264.

A fee of \$10.00 is enclosed. Please return the original to the waiting messenger.

A short summary of the document to appear in the index follows:

Mortgage, Security Agreement and Assignment of Leases and Rents, dated as of March 1, 1987, between Louisiana & Delta Railroad, Inc., a Delaware corporation with its address at 402 West Washington, New Iberia, Louisiana 70560, and General Electric Credit Corporation, a New York corporation with its address at 1600 Summer Street, Stamford, Connecticut 06905, and covering, among other things, locomotives, cars and other railroad rolling stock.

Very truly yours,



David L. Ridl,  
Attorney for General  
Electric Credit Corporation

**Interstate Commerce Commission**  
**Washington, D.C. 20423**

3/25/87

**OFFICE OF THE SECRETARY**

David L. Ridl  
Cravath, Swaine & Moore  
One Chase Manhattan Plaza  
New York, N.Y. 10005

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 3/25/87 at 12:50pm, and assigned recordation number(s). 15188

Sincerely yours,

*Noreta R. McGee*  
*Secretary*

Enclosure(s)

SE-30  
(7/79)

RECORDATION NO. 1 5188 Filed & Recorded

MAR 25 1987 12-50 PM  
INTERSTATE COMMERCE COMMISSION

(counterpart)

MORTGAGE, SECURITY AGREEMENT AND ASSIGNMENT OF LEASES AND RENTS, dated as of March 1, 1987, between LOUISIANA & DELTA RAILROAD, INC., a corporation organized and existing under the laws of the State of Delaware (the "Company"), with its address at 402 West Washington, New Iberia, Louisiana 70560, and GENERAL ELECTRIC CREDIT CORPORATION, a New York corporation ("GECC"), with its address at 1600 Summer Street, Stamford, Connecticut 06905.

The Company has been duly organized under the laws of the State of Delaware and is duly qualified as a foreign corporation and is in good standing under the laws of the State of Louisiana.

The Company, pursuant to an Agreement for the Sale of Branchlines in Louisiana dated November 6, 1986, as amended and supplemented through March 11, 1987, by and between Southern Pacific Transportation Company, a Delaware corporation (the "Seller"), and the Company (the "Purchase Agreement"), proposes, simultaneously with the execution and delivery hereof, to acquire and operate certain railroad assets now owned by the Seller and located in the State of Louisiana, as more particularly identified in the Purchase Agreement (the "Acquired Rail Assets").

The Company and GECC have entered into a Loan Agreement dated as of March 1, 1987 (the "Loan Agreement"), providing for a secured loan to the Company in the principal amount of \$1,825,000 to be evidenced by an Acquisition Loan Note (as defined in the Loan Agreement) and a secured loan to the Company in the principal amount of \$600,000 to be evidenced by an Interim Loan Note (as defined in the Loan Agreement) to be made on the Initial Closing Date (as defined in the Loan Agreement), and a secured loan to the Company in the principal amount of up to \$500,000 to be evidenced by an Equipment Loan Note (as defined in the Loan Agreement) to be made on the Equipment Loan Closing Date (as defined in the Loan Agreement), for the purposes of acquiring the Acquired Rail Assets and certain other equipment and railroad assets, starting up and railroad operations of the Company and providing working capital for the Company, subject to the condition, among other things, that the Company execute and deliver this Mortgage, Security Agreement and Assignment of Leases and Rents (this "Mortgage") to secure the Obligations (as hereinafter defined).

All requirements of law and of the charter and the by-laws of the Company have been duly complied with, and all things necessary to make each of the Acquisition Loan Note, the Interim Loan Note and the Equipment Loan Note, when each is executed by the Company, the valid and binding obligation of the Company, and to make this Mortgage a valid and binding mortgage, security agreement and assignment of Leases and Rents (as hereafter defined) for the security of the Obligations (as hereinafter defined), have been done and performed.

Section 1. Definitions. Unless the context otherwise requires, the following terms shall have the following meanings:

"Acquired Equipment" has the meaning specified in the Loan Agreement.

"Acquisition Loan Note" has the meaning specified in the Loan Agreement.

"Affiliate" has the meaning specified in the Loan Agreement.

"Collateral" means the First Security Interest Collateral and the Second Security Interest Collateral.

"Commercial Agreement" has the meaning specified in the Loan Agreement.

"Easements and Exceptions" means the easements, servitudes, exceptions and reservations specified in the Purchase Agreement or the title insurance policy of Chicago Title Insurance Company delivered pursuant to Section 3.2 of the Loan Agreement.

"Equipment Loan Closing Date" has the meaning specified in the Loan Agreement.

"Equipment Loan Note" has the meaning specified in the Loan Agreement.

"Event of Default" has the meaning specified in the Loan Agreement.

"Fiber Optics Servitude" has the meaning specified in the Loan Agreement.

"First Security Interest Collateral" has the meaning specified in Section 2(a) hereof.

"First Security Interests" means all the first priority mortgage and first security interests granted and assignments made to GECC in Section 2(a) hereof.

"GAAP" has the meaning specified in the Loan Agreement.

"ICC" is defined in the Loan Agreement.

"Interchange Agreement" has the meaning specified in the Loan Agreement.

"Interim Loan Note" has the meaning specified in the Loan Agreement.

"Leases" means all leases and other agreements, licenses and instruments to which the Company is a party and which affect the use or occupancy of any of the Acquired Rail Assets, the Acquired Equipment or other assets or properties of the Company or pursuant to which the Company derives rights or interests material to the operation and maintenance of a continuous railroad system on the branch lines specified in the Purchase Agreement, including without limitation the Purchase Agreement, the Commercial Agreement, the Interchange Agreement, the Trackage Rights Agreement, the TBT Indemnity Agreement, the Fiber Optics Servitude, the agreements specified in Exhibit B to the Purchase Agreement and all Material Leases, and all rights thereunder, including (i) all rights, claims, powers, privileges and remedies of the Company, whether provided for in the Leases or arising by statute or at law or in equity or otherwise, consequent on any failure on the part of any tenant or other obligor to perform or comply with any term of the Leases; (ii) all rights to take any and all actions upon the occurrence of a default under the Leases as shall be permitted by the Leases or by law, including, without limitation, the commencement, conduct and consummation of proceedings at law or in equity; and (iii) the right, power and authority in the name of the Company or otherwise, to enforce, collect, receive and receipt for any and all of the foregoing and the Rents and to do any and all other acts and things whatsoever which the Company is or may be entitled to do under the Leases, subject to the terms and conditions hereof.

"Liens" has the meaning specified in the Loan Agreement.

"Loan Documents" has the meaning specified in the Loan Agreement.

"Material Leases" has the meaning specified in the Loan Agreement.

"Notes" means, collectively, the Acquisition Loan Note, the Equipment Loan Note and the Interim Loan Note.

"Obligations" means the obligation to pay principal of and premium and interest on the Notes according to their respective tenor, purport and effect and to perform all other obligations under the Loan Agreement, the Notes, this Mortgage, and the other Loan Documents, in each case, as the same may be amended, modified or supplemented, including without limitation the obligations to perform and observe all covenants and conditions therein and herein contained and to pay all expenses and disbursements of GECC and its agents and attorneys incurred in connection with the exercise of any right or remedy under the Loan Agreement, this Mortgage or the other Loan Documents.

"Permitted Encumbrances" has the meaning specified in Section 2(c) hereof.

"Person" has the meaning specified in the Loan Agreement.

"Railroad Documents" has the meaning specified in the Loan Agreement.

"Rents" means (i) all the rents, issues, earnings, income, tolls, receipts, revenues, profits, products, proceeds, condemnation awards or any other income or payments of any nature in respect of the Leases; (ii) all damages or other amounts payable in the event of any expiration or termination of the Leases pursuant to the terms thereof, by operation of law or otherwise; (iii) any indemnification against, or reimbursement for, sums paid and costs and expenses incurred by the Company under the Leases or otherwise; and (iv) any award in the event of the bankruptcy of any tenant or other obligor under or guarantor of a lease.

"Second Security Interest Collateral" has the meaning specified in Section 2(b) hereof.

"Second Security Interests" means all the second priority mortgage and security interests granted to GECC in Section 2(b) hereof.

"Section 168 Assignments" has the meaning specified in the Loan Agreement.

"Security Agreement" has the meaning specified in the Loan Agreement.

"Seller" has the meaning specified in the Loan Agreement.

"Security Interests" means the First Security Interests and the Second Security Interests.

"Senior Secured Party" means the secured party under the Security Agreement.

"TBT Indemnity Agreement" has the meaning specified in the Loan Agreement.

"Trackage Rights Agreement" has the meaning specified in the Loan Agreement.

## Section 2. Security Interests in the Collateral.

(a) To secure the due and punctual payment in full of the Obligations, the Company does hereby grant, convey, deliver, mortgage, assign, transfer and set over unto GECC and any other Person or Persons who shall from time to time be entitled to the benefit of the Obligations, including any holder of any of the Notes, a first priority mortgage on and first security interest in and assignment of (the "First Security Interests") all the Company's estate, right, title and interest in, to or in respect of the following property and assets, including the Leases and Rents pursuant to subsection (iv) below (collectively, the "First Security Interest Collateral"); provided, however, that the First Security Interest Collateral shall not include any Second Security Interest Collateral as described in Section 2(b) hereof:

(i) the Acquired Rail Assets and any and all property and rights of every kind and description acquired or to be acquired by the Company from the



Seller under the Purchase Agreement, including the lines of railroad and other properties and rights included among the Acquired Rail Assets, as described in Annex I to this Mortgage;

(ii) any and all property and rights, of every kind and description, owned, acquired or to be acquired by the Company on the date of the execution and delivery of this Mortgage, or thereafter acquired by it, or held or acquired for use or used upon or in connection with, or appertaining to, any of the lines of railroad or other property which, or any right, title or interest in which, shall at any time be subject to this Mortgage, including, without limitation, the equipment and other property and rights of the Company described in Annex II to this Mortgage and:

(A) any and all lands, rights of way, roadbeds, station and depot grounds, all inclines, tunnels, culverts, spurs, tracks, turnouts, switches, sidings and turntables, all superstructures, bridges, stringers, ties, rails, frogs, chairs, bolts, tie plates, splices, signals and signal apparatus, interlocking devices and other railroad appurtenances, all telegraph, telephone and electric power transmission lines, including all wires, cables, poles, batteries, conduits, ducts, viaducts, cross overs, anchors, subways, power plants, turbines, flumes, pipes, generators, motors, switchboards and other instruments, all stations or facilities for wireless communication and signalling, all depots, roundhouses, terminals and terminal property and facilities, all station houses, office buildings, warehouses, elevators, freight houses, engine houses, car houses, repair shops, tower houses, yard buildings, water stations, water tanks, water supply, water power sites, fuel stations, fuel tanks, fuel supply, machine shops and other structures, all engines, tenders, cars, buses, trucks and other rolling stock and equipment (and equity therein), all walls, fences, wharves, docks, piers and landings, steamers and steamships, ferries, boats, barges, tugs and other floating equipment, all machinery, tools, implements and other railroad appliances, apparatus and facilities, materials and supplies, and all other physical property held or acquired for use or used upon or in connection with, or

appertaining to, any of said lines of railroad or other properties;

(B) any and all corporate rights, privileges, immunities and franchises, powers, licenses, easements, servitudes, rights-of-way, leases of lines of railroad or other property, leasehold rights, trackage, terminal, running and traffic rights, interests, including oil, gas and other mineral interests and rights, benefits, advantages, privileges, contracts and general intangibles (as that term is used in the Uniform Commercial Code or other commercial law applicable thereto), and all other agreements, appurtenances and rights, and all renewals and extensions thereof, and any and all warranties and other rights the Company may have against dealers, manufacturers, contractors or subcontractors, the right to compel performance of the terms of any of the foregoing and all rights to exercise any election or option or to make any decision or determination or to give any notice, consent, waiver or approval thereunder or in respect thereof or any part thereof as well as all rights, powers and remedies of the Company arising thereunder or by statute or at law or in equity, or otherwise arising out of any default or breach thereof, all as though GECC were named therein instead of the Company;

(C) any and all goods, inventory, equipment, machinery, tools, materials, supplies and all other tangible personal property now owned or hereafter acquired by the Company, including without limitation all such property which is attached to, located on or used in connection with any of said lines of railroad or other property;

(D) any and all accounts (as that term is used in the Uniform Commercial Code or other commercial law applicable thereto) and other rights to receive the payment of money, including without limitation receivables, rights to receive the payment of money under present or future contracts or agreements (whether or not earned by performance) and all chattel paper (as that term is used in the Uniform Commercial Code or other commercial law applicable thereto);

(E) any proceeds of and any unearned premiums on any insurance policies now or hereafter covering any part of the First Security Interest Collateral, including the right to receive and apply the proceeds of any insurance, judgments or settlements made in lieu thereof;

(F) any awards or payments, including interest thereon, which may be made with respect to any part of the First Security Interest Collateral, whether in connection with the exercise of the right of eminent domain (including any transfer made in lieu of the exercise of said right) or in connection with any other injury to or decrease in value of any part of the First Security Interest Collateral;

(G) any and all proceeds or other payments of any kind received by the Company as the result of the sale, lease or other disposition of the First Security Interest Collateral or any part thereof;

(H) all other property, assets and things of value of every kind and nature, tangible or intangible, absolute or contingent, legal or equitable, which the Company may be possessed of or entitled to, whether now or hereafter acquired; and

(I) the right, in the name of the Company, to appear in and defend any action or proceeding brought with respect to the First Security Interest Collateral and to commence any action or proceeding to protect the interest of the Company in the First Security Interest Collateral;

(iii) any and all additions, improvements and betterments to or upon or in connection with any and all lines of railroad, premises and property which, or any estate, right or title to or interest in which, shall at any time be subject to this Mortgage, and all the estate, right, title, interest, property, possession, claim and demand whatsoever, as well in equity as in law, of the Company of, in and to such lines of railroad, premises and property and every part and parcel thereof and of, in and to the appurtenances and franchises appertaining or hereafter to appertain thereto;

(iv) all Leases (including without limitation the Purchase Agreement, the Commercial Agreement, the Interchange Agreement, the Trackage Rights Agreement, the TBT Indemnity Agreement and the Fiber Optics Servitude but excluding the Section 168 Assignments) and the right to receive and apply all the Rents;

(v) any and all other property of every kind and description, including money, shares of stock, notes, bonds, deposits and other obligations, whether owned by the Company at the date of the execution and delivery of this Mortgage or hereafter acquired by it; and

(vi) any and all property of every kind and description, including money, shares of stock, notes, bonds, deposits and other obligations, which from time to time after the date of the execution and delivery of this Mortgage by delivery or by writing of any kind shall have been Mortgaged by the Company, or by anyone on its behalf, to GECC (who is hereby authorized to receive at any and all times any property as and for additional security for the payment, performance and observance of the Obligations and to hold and apply any and all such property subject to the terms hereof).

TO HAVE AND TO HOLD the foregoing First Security Interest Collateral hereby conveyed and assigned, or intended to be conveyed or assigned, unto GECC, its successors and assigns forever.

(b) To secure the due and punctual payment in full of the Obligations, the Company does hereby grant, convey, deliver, mortgage, assign, transfer and set over unto GECC and any other Person or Persons who shall from time to time be entitled to the benefit of the Obligations, including any holder of any of the Notes, a second priority mortgage on and second security interest in (the "Second Security Interest") all the Company's estate, right, title and interest in, to or in respect of the following property and assets (the "Second Security Interest Collateral"):

(i) any and all of the Acquired Equipment, whether now owned or hereafter acquired, subject to the lien of the Security Agreement;

(ii) any proceeds of and any unearned premiums on any insurance policies now or hereafter covering any part of the Second Security Interest Collateral, including the right to receive and apply the proceeds

of any insurance, judgments or settlements made in lieu thereof;

(iii) any awards or payments, including interest thereon, which may be made with respect to any part of the Second Security Interest Collateral, whether in connection with the exercise of the right of eminent domain (including any transfer made in lieu of the exercise of said right) or in connection with any other injury to or decrease in value of any part of the Second Security Interest Collateral;

(iv) any and all proceeds or other payments of any kind received by the Company as the result of the sale, lease or other disposition of the Second Security Interest Collateral or any part thereof; and

(v) the right, in the name of the Company, to appear in and defend any action or proceeding brought with respect to the Second Security Interest Collateral and to commence any action or proceeding to protect the interest of the Company in the Second Security Interest Collateral;

TO HAVE AND TO HOLD the foregoing Second Security Interest Collateral hereby conveyed and assigned, or intended to be conveyed or assigned, unto GECC, its successors and assigns forever.

(c) The foregoing grants of the Security Interests are subject, as to the Second Security Interest Collateral, to the Lien of the Security Agreement in favor of the Senior Secured Party, and as to all Collateral, to any Liens described in Annex III to this Mortgage to the extent, but only to the extent, that in law any such Lien shall constitute a valid Lien against any part of the Collateral prior to the lien of this Mortgage (all such Liens described in Annex III to this Mortgage being hereinafter collectively called the "Permitted Encumbrances"); provided, however, that GECC upon the happening of any Event of Default shall have and may exercise any and all rights of the Company to terminate any such Permitted Encumbrance.

### Section 3. Certain Representations and Covenants.

(a) Further Assurances. Subject to the rights of the Senior Secured Party and the beneficiaries of all Easements and Exceptions, all Collateral by this Mortgage covenanted to be Mortgaged, and any Collateral at any time

acquired by the Company and required by this Mortgage to be Mortgaged shall, immediately upon the acquisition thereof by the Company and without any further act, become and be subject to the lien of this Mortgage as fully and completely as though now owned by the Company and specifically described in Section 2 hereof; but, at any and all times, the Company will make and deliver any and all such further assurances or conveyances or assignments thereof as GECC may reasonably require, for the purpose of expressly and specifically subjecting the same to the lien of this Mortgage; and the Company will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, all and every such further acts, deeds, conveyances, transfers and assurances as shall be necessary or reasonably requested by GECC for such purpose.

(b) Title to Collateral; Liens. The Company represents, warrants, covenants and agrees that, after giving effect to the transactions contemplated by the Purchase Agreement and the Loan Agreement and subject to the provisions of the Purchase Agreement, it is lawfully seized and possessed of said Collateral herein Mortgaged, including good and marketable title to all Collateral which is real property except parcels which are the subject of (and to the extent of) the exceptions and reservations specified in the policy of title insurance of the Chicago Title Insurance Company delivered to GECC pursuant to Section 3.2 of the Loan Agreement and good title to all Collateral which is personal property, that it has the full right to Mortgage such Collateral, and that such Collateral is free from all Liens except Permitted Encumbrances. The foregoing is subject to the limitation that in the case of railroad transportation contracts and other contracts listed on Exhibit B to the Purchase Agreement, the Company shall use its best efforts to make such contracts assignable to GECC or other holder of any of the Notes and to obtain consents or acknowledgments from the shippers or other parties under such contracts that such contracts are so assignable, and the Company shall promptly notify GECC with respect thereto. Subject to the two previous sentences, the Company at its expense will at all times preserve, warrant and defend its title and right in and to the Collateral and the Security Interests against the claims and demands of all Persons and will maintain and preserve the Security Interests as long as the Obligations are outstanding.

Except for Permitted Encumbrances or with the prior written consent of GECC, the Company will not create or suffer to exist any Lien which would be prior to or on a

parity with the Lien of this Mortgage upon the Collateral, or any part thereof, or upon the income thereof. The Company will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, promptly and in any case prior to the due date thereof, all lawful claims and demands of mechanics, laborers and others which, if unpaid, might by law be entitled to a lien or charge upon the Collateral or some part thereof, or the income thereof; provided that the Company shall not be required to pay any such claim or demand as long as the same shall be permitted to remain unpaid under Section 6.2 of the Loan Agreement.

(c) Maintenance of Collateral; Insurance. The Company will at all times (i) diligently preserve all the rights and franchises to it granted and upon it conferred, (ii) maintain, preserve and keep the rolling stock, fixtures, appurtenances and other Collateral subject to this Mortgage in good repair, working order and condition, (iii) keep the railroads, premises and other Collateral subject to this Mortgage supplied with all necessary motive power, rolling stock and equipment and (iv) make all needful repairs, renewals and replacements, alterations, additions, betterments and improvements in view of the level of traffic and service, subject to Section 6.18 of the Loan Agreement. The Company will at all times preserve its corporate existence. The Company will maintain or cause to be maintained insurance with respect to the Collateral and its business in accordance with the provisions of Section 5.4 of the Loan Agreement.

(d) Recording of Mortgage. The Company, at its own cost and expense, will cause this Mortgage, and will execute and cause all mortgages, amendments and instruments supplemental hereto and all financing statements, Louisiana chattel mortgages and other documents, to be recorded and filed and to be kept recorded and filed in such manner, at such times and in such places as may be required by law or necessary or advisable or reasonably requested by GECC in order fully to establish, preserve, protect and perfect the Security Interests and the rights of GECC and all other Persons entitled to the benefit of the Obligations.

#### Section 4. Remedies and Other Rights.

(a) Remedies. If there shall occur and be continuing an Event of Default, then and in each and every such case, subject to the rights of the Senior Secured

Party, GECC or its agents or attorneys may, at the expense of the Company and the Property and Collateral, at any time and from time to time:

(i) enter into and upon all or any part of the Collateral, including the railroads, rolling stock, property and premises, lands, rights, interest and franchises hereby Mortgaged or intended so to be, and each and every part thereof, take possession thereof by force, summary proceedings, ejectment or otherwise, and exclude the Company and all other Persons (subject to the rights of such Persons) therefrom; use, operate, manage and control all or any part of the Collateral, regulate the tolls for the transportation of passengers and freight thereon, and conduct the business thereof; by purchase, repairs or construction, maintain and restore, and insure or keep insured, all or any part of the Collateral and any property used in connection with all or any part of the Collateral, lease or otherwise deal with or convert all or any part of the Collateral to any other use which GECC shall in its sole discretion determine; make all necessary, useful or proper repairs, renewals, replacements, alterations, additions, betterments and improvements, as GECC may in its sole discretion determine; manage the Collateral and carry on the business, enter into agreements, and exercise all rights and powers of the Company, either in the name of the Company or otherwise, as GECC shall in its sole discretion determine; and collect and receive all tolls, earnings, income, rents, issues, profits and proceeds of the same and every part thereof; or

(ii) foreclose upon, sell, assign, transfer and deliver, subject to any or all then existing Liens thereon, all or any portion of the Collateral, including all the rights, title, estates, railroads, equipment, inventory, receivables, franchises, leases, leasehold interests, contracts and appurtenances, stocks and bonds, and all other property of every name and nature, and all or any estate, right, title and interest, claim and demand therein, and right of redemption thereof, at any private sale or public auction with or without demand, advertisement or notice (except as may be required by applicable law) of the date, time and place of sale and any adjournment thereof, for cash or credit or other property, for immediate or future delivery and for such price or prices and on such terms as GECC, in its sole



discretion, may determine, or as may be required by applicable law; or

(iii) proceed to protect and to enforce its rights by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement contained herein or in the Loan Agreement or the Notes or any other Loan Document, or in aid of the execution of any power herein or therein granted, or for the foreclosure of this Mortgage, or for the enforcement of any other appropriate legal or equitable remedy, as GECC shall deem effectual to protect and enforce any of its rights or duties under this Mortgage; or

(iv) exercise any rights or remedies given to secured parties under the applicable Uniform Commercial Code or other commercial law or exercise a power of sale or any other right given to mortgagees under applicable law; the Company agrees that 15 days' prior written notice of the time and place of any public sale or the time after which a private sale of all or any portion of the Collateral may be made is reasonable for all purposes of the applicable Uniform Commercial Code or other commercial law; or

(v) exercise any remedies available under the Loan Agreement or the Notes or any other Loan Document; or

(vi) any combination of the foregoing.

GECC may foreclose the lien of this Mortgage against the Collateral in one proceeding or against portions of the Collateral in a series of separate proceedings.

(b) Power To Convey Title. Upon any conveyance, assignment or transfer under this Mortgage, GECC shall have the power to execute and deliver to the accepted purchaser or purchasers a deed or deeds as good and sufficient as the deed or deeds by which the Company acquired the Collateral and other instruments conveying, assigning and transferring the Collateral sold. GECC hereby is irrevocably appointed the true and lawful attorneys of the Company, in its name and stead, to make all such conveyances, assignments and transfers of the Collateral; and, for that purpose, GECC may execute all requisite deeds and instruments of conveyance, assignment and transfer, and may substitute one or more Persons with like power, the Company hereby ratifying and confirming all that its said attorneys or such substitute or substitutes shall lawfully do by virtue hereof which is in

conformity with this Mortgage, the other Loan Documents and applicable law to the extent not waived hereunder. Nevertheless, the Company shall, if so requested by GECC, promptly ratify and confirm any conveyance, assignment or transfer by executing and delivering to GECC or to such purchaser or purchasers all such instruments as may be requested by GECC. In addition, the Company shall, if so requested by GECC, promptly execute and deliver to GECC such deeds, instruments of assignment and other documents as GECC may deem necessary or appropriate to enable GECC or any agent or representative designated by GECC to obtain possession of all or any portion or portions of the Collateral or to enjoy the benefits of any other right or remedy hereunder, subject to the terms of this Mortgage and subject to the rights of other Persons.

(c) Effect of Sale. Any conveyance, assignment or transfer made under or by virtue of this Mortgage, whether under the power of sale herein granted and conferred or under or by virtue of judicial proceedings, shall operate to divest all estate, right, title, interest, claim and demand whatsoever, either at law or in equity, of the Company of, in and to the Collateral so conveyed, assigned or transferred, and shall be a perpetual bar, both at law and in equity, against the Company, its successors and assigns, and against any and all persons claiming or to claim the Collateral conveyed, assigned or transferred, from, through or under the Company, its successors or assigns.

(d) Purchaser Discharged. The receipt of GECC for the consideration paid at any such conveyance, assignment or transfer shall be a sufficient discharge therefor to any purchaser of the Collateral; and no such purchaser or his representatives, grantees or assigns, after paying such consideration and receiving such receipt, shall be bound to see to the application of such consideration or any part thereof upon or for any trust or purpose of this Mortgage, or in any manner whatsoever be answerable for any loss, misapplication or nonapplication of any such consideration or any part thereof, or be bound to inquire as to the authorization, necessity, expediency or regularity of any such sale.

(e) Application of Proceeds. The proceeds of any exercise of remedies hereunder, whether made under the right of entry or the power of sale herein granted or pursuant to judicial proceedings or otherwise, together with any other sums which then may be held by GECC under any of the

provisions of this Mortgage, shall be applied as follows, subject to the rights of the Senior Secured Party and the rights of the beneficiaries of the Easements and Exceptions:

(i) to the payment of the costs and expenses of GECC, its agents, attorneys and counsel, and of all expenses, liabilities and advances made or incurred by GECC in managing and maintaining the Collateral or the collateral under any other Loan Document, the costs and expenses of effecting any conveyance, assignment or transfer hereunder or exercising any right or remedy hereunder or otherwise and to the payment of all taxes, assessments or other Liens, except Liens subject to which any Collateral shall have been sold;

(ii) to the payment of interest on the Notes;

(iii) to the payment of principal on the Notes;

(iv) to the payment of any and all other Obligations at the time due and owing to the Persons entitled thereto;

(v) to the payment of the surplus, if any, to the Company, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct;

provided, however, that the proceeds of any receivables due to the Company shall be applied first to the payment of interest on the Interim Loan Note, next to the payment of principal on the Interim Loan Note, and then to the other items as set forth in Clauses (i) through (v) above.

(f) Waiver of Rights. The Company agrees, to the fullest extent allowed by applicable law, that it will not at any time insist upon or plead, or in any manner whatever claim, or take the benefit or advantage of, any stay or extension law, now or at any time hereafter in force; nor will it claim, take or insist upon any benefit or advantage from any law now or hereafter in force providing for the valuation or appraisal of the Collateral, or any part thereof, prior to any disposition thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor will it insist upon, or be entitled to, the fixing of an upset price upon the Collateral, or any part thereof, in connection with any such sale; nor after any such disposition will it claim or exercise any right under any statute

heretofore or hereafter enacted, or otherwise, to redeem the Collateral so sold or any part thereof; and the Company, for itself and all Persons claiming under or through it, hereby expressly waives, to the fullest extent allowed by applicable law, all such rights and all benefit and advantage of any such law or laws, and it covenants and agrees, to the fullest extent allowed by applicable law, that it will not hinder, delay or impede the execution of any power herein granted or delegated to GECC, but will suffer and permit the execution of every such power as though no such law or laws had been made or enacted. In exercising its right to take possession of the Collateral upon the occurrence of an Event of Default, GECC may enter into or upon any part of the Collateral without being guilty of trespass or any wrongdoing, and without liability for damages thereby occasioned except for its gross negligence or wilful misconduct. In addition, the Company, for itself and all Persons claiming under or through it, to the fullest extent allowed by applicable law, hereby (i) agrees that, if any Collateral proposed to be conveyed, assigned or transferred hereunder should be situated in two or more counties or judicial districts GECC shall have full power in connection with such conveyance, assignment or sale to select in which county or judicial district any or all such Collateral shall be conveyed, assigned or transferred, (ii) waives the provisions of any law heretofore or hereafter enacted in any jurisdiction in which Collateral is located, insofar as such law restricts the right of GECC to offer for sale more than a specified amount of the Collateral, and GECC may offer for sale any or all Collateral at any time regardless of the manner in which it may be described, (iii) waives the provisions of any law heretofore or hereafter enacted in any jurisdiction in which Collateral is located, providing for forfeiture for failure to note of record an assignment of indebtedness secured by mortgages, security interests or assignments, and (iv) waives trial by jury in any action or proceeding brought by, or any counterclaim asserted by GECC which action, proceeding or counterclaim in any way arises out of or is connected with this Mortgage. All recitals in any instrument of assignment or any other instrument executed by GECC incident to any sale, transfer, assignment, disposition or utilization of the Collateral or any part thereof shall be full proof of the matter stated therein and no other proof shall be required to establish full legal propriety of the sale or other action taken by GECC or of any fact or condition incident thereto, all of which shall be deemed conclusively to have been performed or to have occurred.

(g) Delay Not Waiver. No delay or omission of GECC to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default, or an acquiescence therein; and every power and remedy given by this Mortgage may be exercised from time to time, and as often as may be deemed expedient, by GECC.

(h) Abandonment Not Waiver. In case GECC shall have proceeded to enforce any right under this Mortgage by foreclosure, entry or otherwise, and such proceeding shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely to GECC, then, and in every such case, the Company and GECC shall severally and respectively be restored to their former positions and rights hereunder in respect of the Property or Collateral, and all rights, remedies and powers of GECC and of the Company shall continue as though no such proceedings had been taken.

(i) Right To Buy at Sale. To the fullest extent allowed by applicable law, GECC or any other Person entitled to the benefit of any Obligation may be a purchaser of the Property or Collateral or any part thereof or any interest therein at any sale thereof, whether pursuant to foreclosure or power of sale or otherwise. GECC may apply against the purchase price therefor the amount then due in respect of the Obligations or other obligations secured hereunder, and any other Person entitled to the payment of any Obligation or other obligations secured hereunder may apply against the purchase price therefor the amount thereof then due and owing to such Person, the payment of which this Mortgage by its terms secures, which shall, upon distribution of the net proceeds of such sale, be payable to such Person. GECC or any such Person shall, upon any such purchase, acquire good title to the property so purchased, free of the lien of this Mortgage.

(j) Appointment of Receiver. GECC shall, as a matter of right, be entitled to the appointment of a receiver (who may be GECC or any successor or nominee thereof) for all or any part of the Collateral, whether such receivership be incidental to a proposed sale of Collateral or the taking of possession thereof or otherwise, and the Company hereby consents to the appointment of such a receiver and will not oppose any such appointment. Any receiver appointed for all or any part of the Collateral shall be entitled to exercise all the rights and powers with respect to the Collateral to the extent instructed to do so by GECC.

(k) Right of GECC To Perform the Company's Covenants. If the Company shall fail to make any payment or perform any act required to be made or performed hereunder or under any other Loan Document, GECC, upon notice to the Company and expiration of any applicable grace period (except in cases of emergency that threaten bodily injury or material damage to property, in which case GECC will allow such notice and grace period, if any, as is reasonable in the circumstances), but without waiving or releasing any obligation or default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of the Company, and, to the extent permitted by applicable law, may enter into and upon the Collateral for such purpose and take all such action thereon as, in GECC's opinion, may be necessary or appropriate therefor, subject to the rights of other Persons under the Leases or otherwise. All sums so paid by GECC and all reasonable costs and expenses (including, without limitation, attorneys' fees and expenses) so incurred, together with interest thereon at the rate specified in Section 2.4 of the Loan Agreement from the date of payment or incurring until paid, shall constitute additional indebtedness secured by this Mortgage and shall be paid by the Company to GECC upon demand therefor.

(l) Remedies Cumulative. Each right, power and remedy of GECC provided for in this Mortgage or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Mortgage or now or hereafter existing at law or in equity or by statute (including, without limitation, the applicable Uniform Commercial Code or other commercial law) or otherwise, and the exercise or beginning of the exercise by GECC of any one or more of the rights, powers or remedies provided for in this Mortgage or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by GECC of any or all of such other rights, powers or remedies.

(m) Limitations on Remedies and Other Rights; Liability for Exercise of Remedies and Other Rights. Notwithstanding any provision of this Mortgage, the remedies and other rights specified hereunder are subject to the rights of the Senior Secured Party and the rights of the beneficiaries of the Easements and Exceptions. GECC shall be under no liability for or by reason of any taking of possession, entry, renewal or holding, operation or management of Collateral or exercise of any other remedy or right

hereunder, except for its gross negligence or wilful misconduct and except that any proceeds so received by GECC shall be applied in accordance with Section 4(e) hereof.

#### Section 5. Releases of Collateral.

(a) Collateral Surplus to the Needs of the Company. From time to time, the Company, subject to the conditions and limitations prescribed in this Section 5, and not otherwise, may request permission to sell, and GECC, upon delivery to GECC of the resolutions, opinion and certificates required by Section 5(f), shall consent to the release from the Lien of this Mortgage, such consent not to be unreasonably withheld, of any Collateral which GECC shall determine to be no longer necessary or expedient or advantageous for the Company to retain for the operation, maintenance or use of the lines of railroad then subject to this Mortgage, or for use in the business of the Company.

(b) Joint Depot and Terminal Facilities. From time to time, the Company, subject to the conditions and limitations prescribed in this Section 5, and not otherwise, may, for the purpose of providing joint depot and terminal facilities with other railroads, request permission to sell parts of its tracks or other property, or grant trackage rights over such tracks, or make other arrangements, to or with any terminal company or union depot company or other railroad company with which it may enter into arrangements for such joint depot and terminal facilities, provided that (a) in the opinion of GECC, the Company is not thereby prevented from maintaining and operating a continuous railroad system as theretofore operated, (b) the Company secures and pledges or assigns under this Mortgage contracts giving it the right to use such joint depot or terminal facilities upon terms that are consistent with good business practices and that are substantially equal with respect to Affiliates of the Company and (c) in the opinion of GECC, the value of the property sold or the rights parted with and the value of the rights, moneys and property obtained shall be consistent with good business practice and shall be commensurate as to Affiliates; and GECC, upon the delivery to GECC of the resolutions, opinion and certificates required by Section 5(f), may release the property so sold.

(c) Removed or Abandoned Property. GECC may, from time to time, release from the Lien of this Mortgage any franchise or portion thereof which is to be or shall have been surrendered by the Company, and any tracks and structures which are to be or shall have been removed or

abandoned by it, provided that (a) such surrender of franchise or such removal or abandonment of tracks or structures shall be or shall have been made pursuant to any agreement with a state, municipality or other political division or subdivision of a state, or to legal requirement, and shall have been duly authorized by all public authorities, if any, having jurisdiction in the premises, (b) the Company, as far as may be permitted by law, shall retain all franchises, tracks and structures necessary or proper to entitle it to maintain and operate a continuous railroad system as theretofore operated and (c) in the opinion of GECC, the value of the security afforded by this Mortgage shall not be, in any way, impaired or prejudiced thereby.

(d) Governmental Taking. Should any part of the Collateral be taken by the exercise of the power of eminent domain or should any governmental body or agency, at any time, exercise any right which it might have to purchase any part of the Collateral, GECC may release from the lien of this Mortgage the Collateral so taken or purchased, and shall be protected in doing so upon being furnished with an opinion of counsel satisfactory to GECC to the effect that such Collateral has been taken by exercise of the power of eminent domain or purchase by a governmental body or agency in exercise of a right which it had to purchase the same.

(e) Replacement of Equipment. The Company shall have full power, in its discretion, from time to time in the ordinary course of business, to dispose of any portion of the capitalized equipment, machinery, apparatus, implements and other portable personal property at any time held subject to the lien hereof, which may have become obsolete or otherwise unfit for use in connection with the other Collateral, first or simultaneously replacing the same by new equipment, machinery, apparatus, implements or other portable personal property of at least equal value, which shall become subject to the lien of this Mortgage, unless such replacement is not necessary or appropriate for the continued operation of the Company's business; provided, however, that the Company shall not have the power to dispose of property pursuant to this Section 5(e) in any fiscal year with an aggregate book value in excess of \$35,000, without the consent of GECC.

(f) Resolutions, Certificates and Opinions. GECC shall not release Collateral from the Lien of this Mortgage



pursuant to Section 5(a) or 5(b) unless, in addition to satisfaction of the conditions to such release therein described, GECC shall have received:

(i) a copy of a resolution of the Board of Directors of the Company, certified by its Secretary, requesting such release and describing the Collateral so to be released;

(ii) a certificate signed by the President and by the Chief Financial Officer of the Company setting forth:

(A) a description of the Collateral the release of which is requested;

(B) the selling price of such Collateral and a description of, and the cost and fair value to the Company of, any consideration (other than cash) to be received in exchange therefor;

(C) that, consistent with the requirements of Sections 5(a) and 5(b), the fair value of such Collateral is not greater than the fair value of the consideration to be received therefor; and

(D) such matters as may be reasonably required by GECC in order to show that the release of such Collateral is authorized under the provisions and restrictions of this Section 5;

(iii) any instruments necessary or appropriate or requested by GECC to subject to the lien of this Mortgage the consideration for the Collateral so to be released;

(iv) if requested by GECC, in case the release of Collateral is requested which is valued by GECC or by the President and Chief Financial Officer of the Company at \$25,000 or more, a certificate of an engineer selected by the Company and satisfactory to GECC setting forth that the fair value of the Collateral to be released is not greater than the consideration to be received therefor;

(v) an opinion of counsel satisfactory to GECC:

(A) in case the consideration for the Collateral to be released, or any part thereof, consists

of property other than cash, specifying the mortgages, deeds, conveyances, assignments, transfers and instruments of further assurance which will be sufficient to subject to the lien of this Mortgage such other property or stating that such other property is then subject to the lien of this Mortgage and that no such mortgage, deed, conveyance, assignment, transfer or instrument of further assurance is necessary for such purpose; and

(B) in case the consideration for the Collateral to be released, or any part thereof, consists of property other than cash, stating that the Company has acquired good title thereto (or good title subject only to such Liens as do not, in the opinion of such counsel, impair the use of such property by the Company), and that the same and every part thereof is free and clear of all Liens prior to or on a parity with the lien of this Mortgage, except taxes (remaining payable without penalty), and stating also that the Company has lawful power to acquire, own and use such other property or rights in its business.

The resolutions, opinions and certificates so to be furnished to GECC may be received by GECC as conclusive evidence of any of the facts, or of the continuance of any condition, or of anything by this Section 5 required to be established or shown in order to authorize the action sought in respect of any Collateral forming the subject of such resolutions and certificates, and shall be full warrant to GECC for any action taken on the basis thereof; but GECC, in its discretion, may require at the cost and expense of the Company such reasonable further and additional evidence as GECC may deem desirable.

Section 6. Leases and Rents. (a) Assignment. The collateral assignment of Leases and Rents contained in Section 2(a)(iv) hereof shall be fully operative without any further action on the part of the Company or GECC and shall entitle GECC to all Rents whether or not GECC takes possession of any of the Collateral. The Company hereby further grants to GECC the right (i) to enter upon and take possession of any of the Collateral for the purpose of collecting the Rents, (ii) to dispossess by the usual summary proceedings any tenant or other obligor defaulting in the payment thereof to GECC, (iii) to let the Collateral or any part thereof, and (iv) to apply the Rents, after payment of all

necessary charges and expenses, toward payment of the indebtedness in such priority and proportions as GECC, in its discretion, shall deem proper, or to the operation, maintenance and repair of the Collateral, in each case whether or not sale or foreclosure has been instituted. Such assignment and grant shall continue in effect until the Notes and all other amounts due under the Loan Documents have been fully paid and shall be cumulative of all other rights and remedies available to GECC under this Mortgage or otherwise. The foregoing provisions shall constitute an absolute and present assignment of the Leases and Rents to GECC, subject, however, to the conditional permission given to the Company to collect the Rents until the occurrence of an Event of Default. Rents collected by the Company, or a portion of such Rents sufficient to discharge all current sums due on the Notes and such other amounts due under the Loan Documents shall be held by the Company in trust for use in payment of the Notes and such other amounts. The Company shall not, without the consent of GECC, (i) cancel any Material Lease or material trackage rights agreement, except where the lessee or other obligor is in default thereunder, unless a new such Lease or agreement is entered into on terms at least as favorable to the Company as the Lease or agreement so canceled, (ii) materially change, amend or supplement any Material Lease or material trackage rights agreement or (iii) further assign the whole or any part of the Rents unless such assignment is expressly subject and subordinate to the rights of GECC hereunder. If the consent of GECC is required hereunder, (a) a certificate of the President and Chief Financial Officer of the Company shall have been furnished to GECC stating that such action in their opinion is advantageous to the Company, does not impair the security afforded by this Mortgage and does not operate to prevent the Company from maintaining and operating a continuous railroad system as theretofore operated, (b) a copy of a resolution of the Board of Directors of the Company approving such action, if such approval is necessary, shall also have been delivered to GECC and (c) GECC shall have consented in writing within 15 days after receipt of notice from the Company. If GECC objects, GECC shall set forth the basis of its objection to the Company. The Company shall (a) materially fulfill or perform each and every material provision of the Leases on the part of the Company to be fulfilled or performed, (b) promptly send copies of all notices of default which the Company shall send or receive under the Material Leases or material trackage rights agreements to GECC, and (c) enforce, short of termination of the Material Leases, the performance or observance of the provisions thereof by the lessees or other

obligors thereunder. Nothing contained in this paragraph shall be construed as imposing on GECC any of the obligations of any party under the Leases. The Company shall obtain all consents and approvals, if any, necessary to the effective assignment of the Material Leases and Rents in respect of such Leases in accordance with the terms hereof. This Section 6(a) is subject to the limitation that in the case of railroad transportation contracts and other agreements specified on Exhibit B to the Purchase Agreement, the Company shall use its best efforts to assign such contracts to GECC and to obtain any necessary consents and acknowledgments from the shippers or other parties under such contracts and the Company shall promptly notify GECC with respect thereto.

(b) Notifications to Lessees. The Company will, to the extent required by law, cause the lessee under each Lease to be duly notified in writing (unless the substance and effect of such notice shall be contained in such Lease) of the subjection of the owner's interest, as lessor, in and to such Lease to the Lien of this Mortgage and of the name and address of GECC. Each such notice shall specifically refer to the provisions of such law, if any, shall state that the lease of such lessee is a Lease as herein defined and shall be accompanied by a copy of the relevant provisions of this Mortgage. If this Mortgage is assigned by GECC or the address of GECC shall at any time be changed, the Company will, to the extent required by law, cause each lessee under each Lease to be promptly notified in writing of the name and address of such assignee or successor or the new address of GECC, as the case may be. The Company will request each lessee under each Lease to whom any notice is sent pursuant to this Section to acknowledge receipt of such notice. The Company will promptly deliver to GECC a copy of each such acknowledgment of receipt which it is able to obtain. GECC shall not be responsible for securing or causing the Company to secure any such acknowledgment.

(c) Amendment. The Company may amend or modify the provisions of any Lease without the consent of GECC only if such amendment shall not reduce the Rent payable or space demised thereunder or alter the term thereof or have an adverse effect upon the value of the Company's interest thereunder, and if such Lease, as amended, shall otherwise be in compliance with the requirements of this Mortgage.

(d) Prepayments of Rent. The Company agrees that it will not receive or collect, or permit the receipt or collection of, any payment of Rent under any Lease more than

one month in advance of the respective period in respect of which it is to accrue, except that (i) in connection with the execution and delivery of any Lease or of any amendment to any Lease, Rent thereunder may be collected and received in advance in an amount not in excess of one month's rent and/or a reasonable security deposit may be required thereunder (provided that such deposits are maintained in accordance with applicable law) and (ii) the Company may receive and collect escalation and other charges in accordance with the terms of each Lease.

(e) Future Leases. The Company agrees that it will not enter into any Material Lease after the date hereof that does not contain terms to the effect that such Lease and the rights of the tenants or other Persons thereunder shall be subject to this Mortgage. In addition, the Company agrees to use its best efforts to provide that any Material Lease as to which the Company is lessor entered into after the date hereof will contain terms to the effect as follows:

(i) in the case of any foreclosure hereunder, the rights and remedies of the tenant or other Person in respect of any obligations of any successor landlord thereunder shall be nonrecourse as to any assets of such successor landlord other than its interest in the Collateral;

(ii) any mortgagee or purchaser upon the foreclosure (or the giving or granting of a deed in lieu thereof) of any of the Collateral which shall succeed to the rights of the landlord under the Lease shall not be (x) liable for any previous act or omission of landlord, (y) subject to any offset which shall have theretofore accrued to the tenant against landlord or (z) bound by any prepayment of more than one month's installment of base rent; and

(iii) the tenant agrees to attain, at the option of GECC or the purchaser of the Collateral, upon a foreclosure (or the giving or granting of a deed in lieu thereof).

(f) Events of Default. The Company hereby irrevocably authorizes and directs each tenant or other Person under a Lease, upon receipt of notice from GECC that an Event of Default has occurred, to pay directly to, or as directed by, GECC all Rent accruing or due under its Lease from and after the receipt of such notice. The Company agrees that any tenant or other Person shall have the right

to rely upon the notice from GECC, and shall pay such Rent to or as directed by the Company without any obligation to inquire into the actual existence of any Event of Default claimed by GECC, and notwithstanding any notice from or contrary claim by the Company, and the Company shall have no right or claim against such tenants or other Person for any Rent so paid to GECC. Such Rent shall continue to be paid to GECC unless and until the Event of Default which gave rise to the termination of the Company's conditional permission to collect the Rents under subsection (a) of this Section 6 is cured to the satisfaction of GECC, so long as any Note shall not then be due and payable, whether at maturity, by declaration or acceleration or otherwise. Following an Event of Default, GECC shall enjoy all the benefits of and be entitled (but shall not be obligated) to exercise all rights under the Leases, including but not limited to rights of amendment and including but not limited to rights of amendment and termination. In the event any such Event of Default is cured as aforesaid, GECC shall direct each tenant or other Person by written notice to resume the payment of all Rent accruing or due under its Lease directly to the Company from and after such tenant's or other Person's receipt of such notice from GECC.

(g) Enforcement of Leases. The Company at its expense will enforce the Leases in accordance with their terms. Neither this Mortgage nor any action or inaction on the part of GECC shall release any tenant or other Person or the Company from any of their respective obligations under the Leases or constitute an assumption of any such obligation on the part of GECC. No action or failure to act on the part of the Company shall adversely affect or limit the rights of GECC under this Mortgage, or through this Mortgage, under the Leases.

(h) Further Assurances. During the term hereof, all rights, powers and privileges of GECC herein set forth are coupled with an interest and irrevocable, subject to the terms and conditions hereof, and the Company will not take any action under the Leases or otherwise which is inconsistent with this Mortgage or any of the terms hereof. The Company will, from time to time, upon request of GECC, execute all instruments and further assurances and all supplemental instruments and take all such action as GECC from time to time may reasonably request in order to perfect, preserve and protect the interests being assigned to GECC hereby. The Company hereby agrees that it will not, unilaterally or by agreement, subordinate, amend, modify, extend, discharge, terminate, surrender, waive or otherwise

change any term of any of the Leases in any manner which would violate this Mortgage. If the Leases shall be amended as permitted hereby, they shall continue to be subject to the provisions hereof without the necessity of any further act by any of the parties hereto.

(i) No Obligations. Nothing contained herein shall operate or be construed to (A) obligate GECC to perform any of the terms, covenants or conditions contained in the Leases or otherwise to impose any obligation upon GECC with respect to the Leases (including, without limitation, any obligation arising out of any covenant of quiet enjoyment contained in the Leases in the event that any tenant or other Person shall have been joined as a party defendant in any action by which the estate or interest of such tenant or other Person shall be terminated), or (B) place upon GECC any responsibility for the operation, control, care, management or repair of the Property and Collateral.

#### Section 7. Miscellaneous.

(a) Real Property Transfer Gains Tax. (i) The Company shall (A) pay when due any tax imposed upon it pursuant to the laws of the State of Louisiana in connection with the foreclosure or partial foreclosure of this Mortgage, the acceptance by GECC (or a nominee of GECC) of a deed or assignment to any part of the Collateral, in lieu of foreclosure, or partial foreclosure, of this Mortgage or the exercise by GECC of any remedy set forth herein (the "Gains Tax"), and (B) prepare, execute and file any forms or reports required to be prepared, executed and filed in connection therewith. Should the Company default in the payment of the Gains Tax, GECC may, but shall not be obligated to, pay the same or any part thereof, and the Company shall, on demand, reimburse GECC for all amounts so paid plus interest thereon at the rate set forth in Section 2.4 of the Loan Agreement. The Company hereby irrevocably appoints GECC as the true and lawful attorney of the Company (coupled with an interest), in its name and stead, to pay the Gains Tax pursuant to the preceding sentence, and, if the Company shall fail to comply with its obligations under clause (B) of the first sentence of this Section 7(a) after having been given a reasonable opportunity to comply therewith, to prepare, execute and file any forms or reports or other instruments required to be prepared and filed in connection therewith. The Company shall provide GECC with all information required for completion of such forms or reports, including, without limitation, information as to

capital improvements made in respect of the Property and Collateral from time to time. The obligations of the Company pursuant to clause (B) of the first sentence of this Section 7(a) shall survive the foreclosure, or partial foreclosure, of this Mortgage, the acceptance by GECC of a deed or assignment of any part of the Collateral, in lieu of a foreclosure, or partial foreclosure, of this Mortgage, and the exercise by GECC of any remedy set forth herein. In the event any such Gains Tax shall be repealed, or shall be amended such that no such tax would be imposed in connection with any of the events described in clause (A) of this Section 7(a), the Company shall thereafter be relieved of its obligations under this Section 7(a).

(b) Stamp and Other Taxes. The Company will pay any United States documentary stamp taxes, with interest and fines and penalties, and any mortgage recording taxes of any state or subdivision thereof, with interest and fines and penalties, that may hereafter be levied, imposed or assessed under or upon or by reason of this Mortgage, the Obligations or any instrument or transaction affecting or relating to any thereof and in default thereof GECC may advance the same and the amount so advanced shall be payable by the Company to GECC upon demand therefor, together with interest thereon at the rate set forth in Section 2.4 of the Loan Agreement; provided, however, that the Company shall not be obligated under this Section 7(b) to pay any taxes which may arise in connection with the ownership or transfer by GECC of the Obligations or the Notes or any interest therein or which may be imposed upon the income of GECC.

(c) Additional Security. Without notice to or consent of the Company and without impairment of the lien and rights created by this Mortgage, GECC may accept (but the Company shall not be obligated to furnish) from the Company, or from any other Person or Persons, additional security for the Obligations. Neither the giving of this Mortgage nor the acceptance of any such additional security shall prevent GECC from resorting, first, to such additional security, and, second, to the security created by this Mortgage without affecting the Security Interests and GECC's rights under this Mortgage.

(d) Changes in Law Regarding Taxation. In the event of the passage after the date of this Mortgage of any law of the State of Louisiana deducting from the value of real property for the purpose of taxation any lien or encumbrance thereon or changing in any way the laws for the taxation of mortgages or debts secured by mortgages for



state or local purposes or the manner of the collection of any such taxes, and imposing a tax, either directly or indirectly, on this Mortgage or the Obligations, GECC may, at its option, upon 60 days' notice, declare the Obligations or other obligations secured hereby to be due and payable; provided, however, that GECC shall not make such declaration and this Mortgage shall remain in effect if, notwithstanding said law: (i) (x) the Company may lawfully pay such taxes on behalf of GECC or (y) the Company and GECC may lawfully, and do, enter into an enforceable agreement obligating the Company to pay to GECC an amount equal to any increase in taxation or charges imposed on or incurred by GECC by reason of such change in law (which agreement shall become part of this Mortgage), and (ii) the Company does in fact pay such taxes or such increases in taxation or charges, as applicable.

(e) Expenses of GECC. (i) If any action, suit or other proceeding affecting the Collateral or any part thereof shall be commenced, in which action, suit or proceeding GECC is made a party or participates or in which the right to use the Property and Collateral or any part thereof is threatened, or in which it becomes necessary in the reasonable judgment of GECC to defend or uphold the Security Interests and the other rights of GECC created by this Mortgage, then all reasonable amounts paid or incurred by GECC for the expense of any such action, suit or other proceeding or to protect its rights therein (whether or not it is made or becomes a party thereto) or otherwise to enforce or defend the Security Interests and such rights created by this Mortgage, shall be paid by the Company upon demand together with interest at the rate specified in Section 2.4 of the Loan Agreement from the date of the payment or incurring thereof, and any such amount and the interest thereon shall be a lien on the Collateral, prior to any right, or right to, interest in, or claim upon the Collateral attaching or accruing subsequent to or otherwise subordinate to the lien of this Mortgage, and the same shall be deemed to be an Obligation secured hereby. All other amounts paid, advanced or incurred by GECC in order to secure and protect the Security Interests or other security and rights provided hereunder shall be a like Lien on the Collateral and be deemed to be part of the Obligations.

(ii) In the event this Mortgage or any Note is placed in the hands of counsel for collection of any amount payable hereunder or thereunder or for the enforcement of any of the provisions hereof or thereof, the Company agrees to pay all reasonable costs associated therewith incurred by

GECC, either with or without the institution of an action, suit or other proceeding, in addition to all costs, disbursements and allowances provided by law, all such costs to be paid upon demand, together with interest thereon at the rate specified in Section 2.4 of the Loan Agreement from the date of notice or incurring thereof, and the same shall be deemed to be part of the Obligations secured hereby.

(i) Security Agreement, etc. (i) Grant of Security. This instrument may be construed as a mortgage, security agreement, assignment, chattel mortgage conveyance, pledge, financing statement, hypothecation or contract, among one or more of them, in order fully to effectuate the lien hereof and the purposes and agreements herein set forth. This Mortgage is a security agreement within the meaning of the Uniform Commercial Code in New York with respect to all personal property now or hereafter constituting part of the Collateral as to which the creation and perfection of the Security Interests are subject to such law (the "Personal Property"), and is also a mortgage as to those portions of the Collateral that are classified as real property. Any completely executed counterpart of this instrument may be filed as a mortgage on real property or fixtures, or as a security agreement, financing statement or Louisiana chattel mortgage or as all such documents. The address of the Company, as debtor, and the address of GECC, as secured party, are shown on the first page of this Mortgage.

(ii) Financing Statements. The Company shall cause all financing and continuation statements and other instruments with respect to the Personal Property at all times to be kept recorded, filed or registered in such manner and in such places as may be required by law fully to evidence, perfect and secure the interests of GECC in the Personal Property, and shall pay all filing fees in connection therewith. The Company hereby appoints GECC as its attorney-in-fact to perform the obligations of the Company under this Section in the event it fails to do so.

(iii) Multiple Remedies. If an Event of Default shall have occurred, GECC, pursuant to Section 9-501(4) of the applicable Uniform Commercial Code, as such Section is currently constituted or may be hereafter amended, shall have the option of proceeding as to both real and personal property in accordance with its rights and remedies in respect of the real property, as an alternative to proceeding in accordance with the default provisions of such Uniform Commercial Code.

(h) Expenses of Disposition of Collateral. The Company shall reimburse GECC, within 10 days after demand, for all reasonable expenses of retaking, holding, preparing for sale, lease or other use or disposition, selling, leasing or otherwise using or disposing of the Property and Collateral which are incurred or paid by GECC, including, without limitation, all reasonable attorneys' fees, legal expenses and costs, and all such expenses shall be added to the Obligations and shall be secured hereby.

(i) Termination. If all the Obligations shall be paid, performed and discharged in full, GECC shall forthwith cause satisfaction and discharge of this Mortgage to be entered upon the record at the expense of the Company and shall execute and deliver or cause to be executed and delivered such instruments of satisfaction and reassignment as may be appropriate, and this Mortgage shall become null and void and all powers and appointments granted herein shall cease and determine. Otherwise, this Mortgage shall remain and continue in full force and effect.

(j) Severability. If any provision hereof is invalid, illegal or unenforceable, the other provisions hereof shall remain in full force and effect and the remaining provisions hereof shall be liberally construed in favor of GECC in order to effectuate the provisions hereof.

(k) Survival. All agreements, representations and warranties made herein shall survive the execution and delivery of this Mortgage.

(l) Notices. Any notice or other communication herein required or permitted to be given shall be in writing and shall be sent in the manner and with the effect provided in the Loan Agreement.

(m) Amendments and Waivers. No amendment, modification, termination or waiver of any provision of this Mortgage, or consent to any departure by the Company therefrom, shall in any event be effective without the written concurrence of GECC. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. No notice to or demand on the Company in any case shall entitle the Company to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this Section shall be binding upon each holder of the Notes, whether or

not the Notes shall have been marked to indicate such amendment, modification, waiver or consent.

(n) Headings. Headings in this Mortgage are included herein for convenience of reference only and shall not constitute a part of this Mortgage for any other purpose or be given any substantive effect.

(o) Applicable Law. All rights, powers and remedies provided herein may be exercised only to the extent that the exercise thereof does not violate any applicable law, and are intended to be limited to the extent necessary so that they will not render this Mortgage invalid, unenforceable or not entitled to be recorded, registered or filed under any applicable law. All waivers, consents, confessions and releases provided for in this Mortgage are effective only to the extent permitted by applicable law. This Mortgage has been executed and delivered in New York, New York, and shall be governed by and shall be construed and enforced in accordance with the laws of the State of New York, except to the extent that the laws of the State of Louisiana are mandatorily applicable hereto.

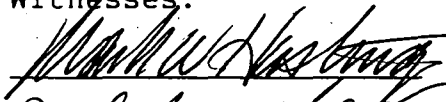
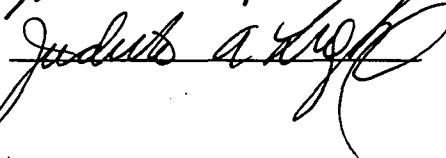
(p) Successors and Assigns. The terms and provisions of this Mortgage shall inure to the benefit of GECC, the holders from time to time of the Notes and all other Persons from time to time entitled to the benefit of any Obligation. This Mortgage shall be binding upon the Company, GECC, the holders of the Notes, all other Persons entitled to the benefits of the Obligations and their respective successors and assigns. The Company may not, without the prior written consent of GECC, assign any of its rights or obligations hereunder.

(q) Counterparts. This Mortgage and any amendments, waiver, consents or supplements may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so executed and

delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.


IN WITNESS WHEREOF, the parties hereto have caused this Mortgage to be duly executed as of the date first above written.

Witnesses:

LOUISIANA & DELTA RAILROAD INC.,

by

  
Title: President

GENERAL ELECTRIC CREDIT CORPORATION,

by

  
Title: Manager - Domestic Financing

## ACKNOWLEDGMENTS OF WITNESSES

STATE OF New York  
County OF Westchester

BEFORE ME, the undersigned authority, duly commissioned, qualified and sworn within and for the State and County aforesaid, personally came and appeared:

Judith A. Lloyd  
 who being duly sworn by me, Notary, deposed and said that she was one of the subscribing witnesses to the foregoing instrument; that the same was signed by Patrick J. McNeela, well known to the said appearer to be the identical person so executing the same as his own free will, act and deed, for the uses, purposes and considerations therein expressed in the presence of appearer and in the presence of Mark W. Hastings, the other subscribing witness.

Judith A. Lloyd

SWORN TO AND SUBSCRIBED  
 Before me, this 11th  
 day of March, 1987

Margaret H. Tyce  
 NOTARY PUBLIC

MARGARET H. TYCE  
 Notary Public, State of New York  
 My Comm. Expires 12/31/89  
 My Comm. No. 11111

STATE OF New York  
 County Westchester OF Westchester

BEFORE ME, the undersigned authority, duly commissioned, qualified and sworn within and for the State and County aforesaid, personally came and appeared: Mark W. Hastings who being duly sworn by me, Notary, deposed and said that he was one of the subscribing witnesses to the foregoing instrument; that the same was signed by Mortimer B. Fuller III, well known to the said appearer to be the identical person so executing the same as his own free will, act and deed, for the uses, purposes and considerations therein expressed in the presence of appearer and in the presence of Judith A. Lloyd, the other subscribing witness.

Mark W. Hastings

SWORN TO AND SUBSCRIBED  
 Before me, this 11th  
 day of March, 1987

Margaret H. Tyre  
 NOTARY PUBLIC

MARGARET H. TYRE  
 Notary Public, State of New York  
 Westchester County, No. 4555518  
 My Comm. Expires March 1, 1990

August 31, 1987

## ANNEX I

The Acquired Rail Assets under the Agreement for the Sale of Branchlines in Louisiana dated November 6, 1986, as amended and supplemented through March 11, 1987, by and between Southern Pacific Transportation Company, a Delaware corporation, and Louisiana & Delta Railroad, Inc., a Delaware corporation.



## ANNEX II

1. Locomotive, Model No. EMDGP9, Unit No. 3434.
2. Locomotive, Model No. EMDGP9, Unit No. 3433.
3. Locomotive, Model No. EMDGP9, Unit No. 3790.
4. Locomotive, Model No. SW1200, Unit No. 2263.
5. Locomotive, Model No. SW1200, Unit No. 2264.